Monthly Economic Monitor Ukraine

- Presidential elections were scheduled on October 25, 2009, but the Constitutional Court declared this decision unconstitutional.
- Higher industrial production in March moderated decline in the industrial output to 30.4% yoy.
- The central fiscal revenues (general funds) declined by 8.1% yoy in the first quarter.
- Pension fund expenditures increased by 20.0% yoy in the first quarter of 2009 creating difficulties for funding.
- Nominal wage increased by 5.6% mom in March.
- Consumer inflation decelerated to 15.6% yoy in April.
- Inter-bank exchange rate remained in UAH/USD 7.8-8.0 range in April.
- HIGHLIGHT OF THE MONTH: Unemployment

No.5 (103)
May
2009

Population: 46.4 m
Industry/GDP: 32%
Agriculture/GDP: 7%
Investment/GDP: 29%
Exports to: Russia 26%, EU 28%
Imports from: Russia 28%, EU 37%

Politics: Ukrainian politicians prepare for Presidential elections campaign

On April 1, the Verkhovna Rada set the date of the next Presidential elections on October 25, 2009. By this decision people's deputies scheduled the elections almost three months before the January 17, 2010, the date suggested by the President Viktor Yushchenko. It was immediately contested by the President in the Constitutional Court of Ukraine (CCU). On May 13, the CCU declared the respective Resolution of the Verhkovna Rada unconstitutional.

However, *de-facto* the presidential campaign has been already in the full swing. Victor Yushchenko stressed his intention to participate in the forthcoming elections at his press conference of April 22. Serhiy Tigipko, former Head of the NBU, announced his intention to return in politics and participate in the elections. According to political experts, Tigipko's candidacy is likely to take some votes from Viktor Yanukovich, leader of the Party of Regions, and Arseniy Yatseniuk, former Speaker, that would be advantageous for Yulia Tymoshenko. Another politician who is likely to participate in the Presidential campaign is Speaker Volodymyr Lytvyn.

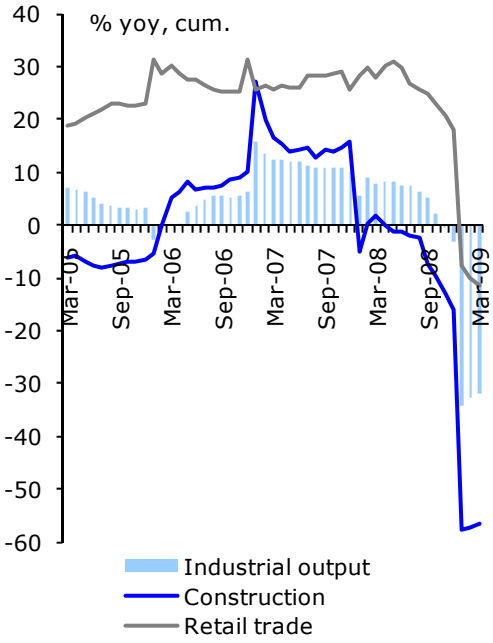
On May 8, the IMF announced about the release of the second tranche amounted at USD 2.8 bn under the Stand-By Arrangement with Ukraine. This decision was preceded by long consultations resulted in the revision of several key provisions of the Memorandum between Ukraine and the IMF. In particular, the limit of the fiscal deficit was set at 4% of the GDP for 2009.

Real sector: Further signs of industrial production rebound in March

In March, industrial output continued rebounding from the slump, reducing contraction from February by 1.2 p.p. to 30.4% yoy thanks to improved domestic and external conditions. Contraction in the industrial output was 31.9% yoy in the first quarter. Higher demand boosted production in major industries, moderating rate of decline in manufacturing to 37.2% yoy in March. Following rising demand for inputs in manufacturing, extractive industry reduced contraction by 0.3 p.p. to 15.4% yoy.

Other sectors of the economy have also continued their February trends. Growth in agriculture accelerated to 1.7% yoy for the first three months. Construction sector aggregate output dropped by 56.7% yoy in the first quarter that is only 0.5 p.p. less than a two-month contraction. Freight transportation somewhat improved alongside with industrial output moderating its decline to 37.4% yoy in the first quarter. At the same time, decline in retail sales continued accelerating to 11.5% yoy. Thus, despite some improvements, it's too early to say whether the fall in economic activity in Ukraine starts to bottom out.

Real sector trends



Source: Derzhkomstat

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Sectoral trends: Industrial gas consumption sharply reduced in the first quarter of 2009

Energy. According to the Naftogas, in the first quarter of 2009 natural gas consumption in Ukraine dropped by 18% yoy up to 19.4 bn cm. The major shortfall was in industry where consumption decreased to 4.7 bn cm or by 50.2% yoy, while the heat producers and private consumers preserved consumption at the last year volumes. At the same time heat power plants have the largest indebtedness for purchased natural gas to Naftogas totalled to UAH 3.1 bn after they paid only 50.7% from required amount. These debts remain the key risk for Naftogas solvency and its ability to pay for the imported natural gas.

In April the Gazprom affiliated company – "Gazprom Zbut Ukraine LLC" – started deliveries of natural gas to Ukrainian consumers. Currently the company is licensed to deliver up to 7.5 bn cubic meters (cm) per year under 1-year license. The deliveries became possible after Gazprom and Naftogas signed the agreement that defines the technical conditions of gas transit through Ukraine territory. Simultaneously, the company submitted another application to NERC for a 5-year licence on natural gas deliveries to domestic consumers at the similar terms. But it seems that "Gazprom Zbut Ukraine" will be able to supply only 4 or 5 bn cm of gas in Ukraine as the natural gas consumption forecast by the industry was downgraded from 24 bn cm to 20 bn cm in 2009.

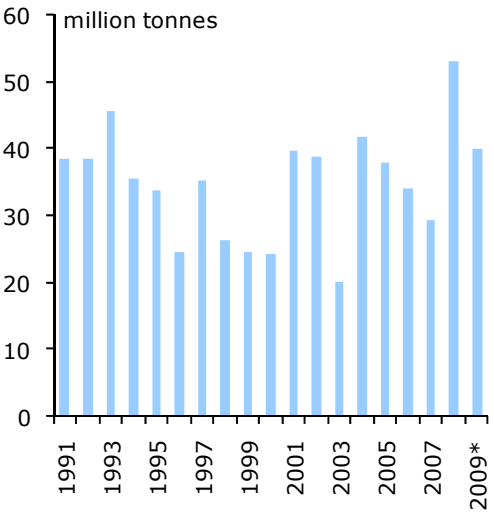
During the intergovernmental talks between Russia and Ukraine the parties agreed not to impose the penalties for Naftogas for incomplete intake of gas contracted volumes and to provide advance payments for gas transit. Such concessions to Ukraine were made due to expected problems of Naftogas in financing of purchases of 20 bn cm gas in summer at. Though it is not the formal agreement, such arrangement is expected to ensure more flexible payments system for Russian natural gas in Ukraine while the economic crisis led to much lower demand for natural gas inside the country than was contracted before.

Agriculture. Seeding campaign was rather successful in April taking into account that it started later than in 2008. As of May 5, 4.7 m hectares of early spring grain crops were seeded that is 1.3 m ha less than seeded as of May 6, 2008. Still, despite prolongation of UAH 2.7 bn in agricultural loans and devaluation of hryvnia that improved terms of trade for Ukraine's agricultural exports agrofirms reports lacking liquidity and thus reduced usage of fertilizers and cuts in other expenses. At the same time, extensive April frosts and then dry weather damaged some crops increasing needs for intensive agricultural techniques. Therefore, current conservative forecasts of 2009 harvest are about 40 m tonnes of grain compared to 53 m tonnes a year ago.

Transport. The Cabinet of Ministers prolonged the period of validity of preferential rail tariffs for metal and chemicals producers till July 1, 2009. Initially discounted tariffs were due to expire on April 1. The efficiency of this state support measure seems ambiguous. Some metal producers have already declared their intention to transport their products by road transport even though this mode of transportation is not subject to privileges. At the same time, privilege has drained out Ukrzaliznytsia's funds, and also could result in tensions with the WTO as discounted tariffs could be treated as indirect export subsidy since metal and chemical producers are predominantly export-oriented.

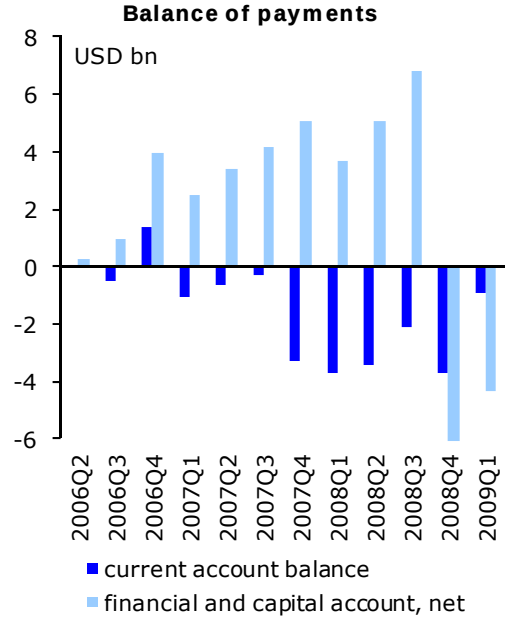
In April, the World Bank approved the Roads and Safety Improvement Project for Ukraine that foresaw provision of USD 0.4 bn loan with maturity of 30 years. The objective of the project is to improve condition and quality of sections of M-03 road and increase traffic safety. It will be implemented by the State Road Service (Ukravtodor). Unfortunately, the efficiency of funds usage remains questionable. Moreover, such an amount is insufficient to change situation in the sector that needs approximately USD 127 bn to repair roads.

Grain production in Ukraine, 1991-2009



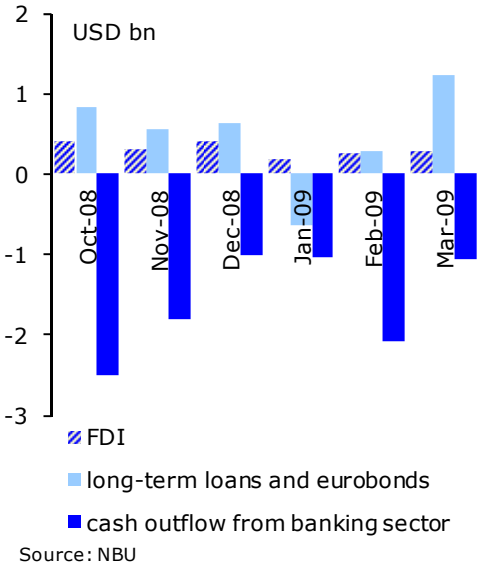
Source: Derzhkomstat
* forecast

Balance of payments



Source: NBU

Financial account



Source: NBU

Privatisation. The first attempt to sell of 25% shareholding of Poltavaoblenergo for UAH 308 m failed because of the absence of bids. In May 2008 this shareholding was proposed for sale for UAH 642 m also without success. Nevertheless, planned privatization of the energy generating companies moved on with the sale of 26.98% of the Lvivoblenergo to the "TEKT-Trade" LLC for UAH 198 m. Alongside with Poltavaoblenergo, the other 25% shareholdings offered for sale include Prykarpattya, Chernigiv, Sumy and Odessa oblenergoes.

Yet other attractive objects offered for privatisation are aircraft companies Dnirpoavia and Ukrainian National Airlines. These are planned to be sold at the auctions. However, sale of such strategic enterprises as Ukrtelecom, Turboatom and Odessa By-Port Plant is still under question. Election campaign is not likely to speed up the privatization process as the President and Prime Minister have the diametrically opposite positions on the necessity and conditions of the sale.

External sector: Financial account improved as capital outflow slowed by the end of the quarter

According to the NBU preliminary estimates the first quarter current account deficit narrowed to USD 0.9 bn as compared to USD 3.7 bn in the last quarter of 2008. The deficit takes into account USD 1.7 bn of gas in Ukrainian underground storage facilities received as prepayment for gas transit that was cleared by customs in February and March. Between January and March commodity imports decreased by 46.9% yoy in dollar terms to USD 9.9 bn with imports of machine building products and ferrous metals suffering the most. Commodity exports dropped by 39.2% yoy to USD 8.5 bn, although its value increased in March compared to February level.

Financial account balance also improved. Between January and March financial account deficit was USD 4.3 bn compared to USD 6.1 bn in the last quarter of 2008. Net FDI flow was positive and reached USD 0.7 bn but remained lower than in any quarter of 2008. Net outflow of capital on loans and eurobonds significantly narrowed to USD 1.4 bn by the end of the quarter as repaid short-term loans and eurobonds were replaced by medium- and long-term loans. Additionally, outflow of cash foreign currency from banks also reduced as exchange market stabilized.

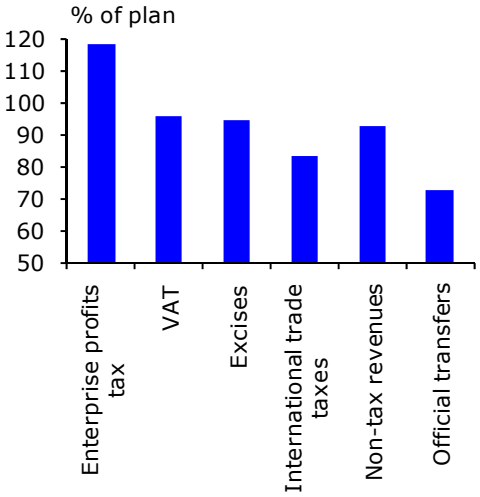
Fiscal policy: The central fiscal revenues due to general fund declined by 8.1% yoy in the first quarter

Between January and March central fiscal revenues due to the general fund were UAH 34.5 bn or 2.6% below the target, and declined by 8.1% yoy. Revenues from enterprise profits tax (EPT) were over-executed by 18.1%, likely due to advanced tax payment. On the other hand, receipts from VAT, rent payments, excises, as well as taxes on international trade and official transfers were under-executed. In particular, VAT revenues were by 4.1% below projection due to lower receipts from VAT paid on import (93.7% of the target). The execution of central fiscal expenditures (general fund) improved to 95.3% of the planned figure. As a result, central fiscal deficit due to the general fund reached UAH 4.5 bn and was primarily financed at the expense of funds accumulated at the Unified Treasury Account and internal borrowings.

Social policy: The Pension Fund has faced difficulties with financing higher pensions

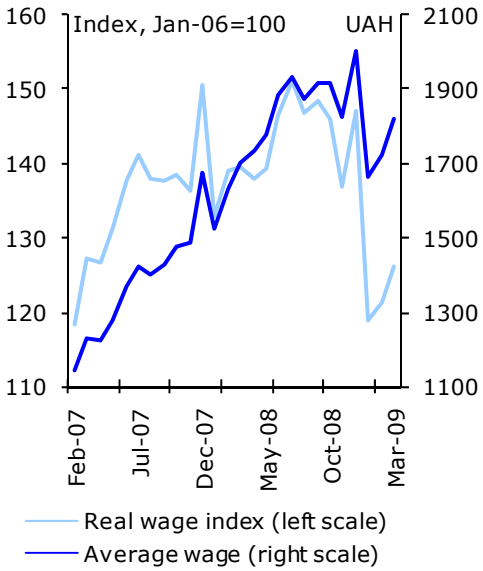
According to the Pension Fund, in the first quarter of 2009 the Fund's expenditures increased by around 20.0% yoy to more than UAH 40.0 bn. However, the Fund's own revenues received primarily from pension insurance contributions increased only by 2.5% yoy to UAH 22.5 bn. Further UAH 10.9 bn arrived from the central budget for financing pensions paid according to special state pension programs as well as the Fund's deficit financing. The rest of the Fund's expenditures (around UAH 6.6 bn) are likely to be financed by the loan provided by the Treasury in line with procedure envisaged in the State Budget Law for 2009. Difficulties with financing pensions may

Central fiscal revenues execution in January-March 2009



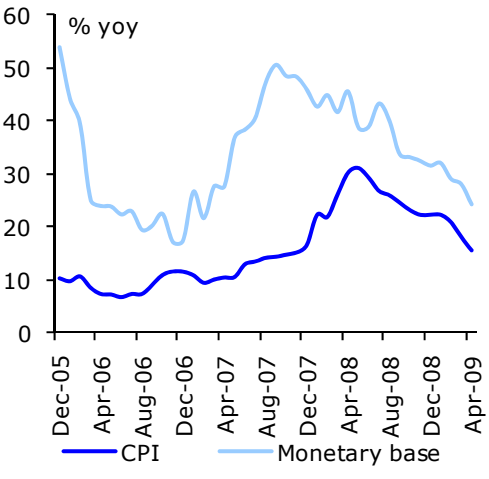
Source: State Treasury reports

Average wage



Source: Derzhkomstat

CPI and monetary base development



Source: Derzhkomstat, NBU

aggravate as time goes by as further fiscal support could be limited due to the lack of funds on Treasury account.

Labour market: Average wage increased in March

In March, nominal average wage increased by 5.6% mom and 6.8% yoy to UAH 1818. The nominal wage growth is likely to be explained by recovery of economic activity of enterprises in March as compared to the first months of the year. In real terms average wage dropped by 9.6% yoy. Real wages fell in all sectors with the sharpest wage declines registered in construction and several manufacturing industries reflecting the highest contraction of these sectors.

Monetary policy: Inflation further decelerated to 15.6% yoy in April

Consumer inflation decelerated to 15.6% yoy in April. High statistical base formed by record growth in prices between January and April of 2008 determined lower CPI growth this year. Limited income growth, favourable price fluctuations for some goods and stabilisation of hryvnia also contributed to slower inflation. However, core inflation remained above twenty per cent threshold at 21.4% yoy in April.

Money supply growth continued to decelerate in April to 8.2% yoy, as a share of cash in money supply continued to grow (32.4%). On the other hand, banking sector retained high level of liquidity in April as the NBU continued to buy government bonds and provided refinancing to banks, while demand for dollars weakened. Inter-bank interest rates remained in the single digits in April while bank balances on the correspondent accounts at the NBU were above UAH 20 bn for several days in the late April.

Financial markets: Interbank hryvnya exchange rate remained stable in April

Exchange rate. Average daily inter-bank exchange rate remained stable in UAH/USD 7.80-8.00 range in April according to the NBU data. Speculative demand for foreign currency abated partly due to the progress in the IMF talks. Slower capital outflows also contributed to the stability in foreign exchange market. Decrease in volatility on the inter-bank market is also reflected in narrower bid-offer spreads for cash currency. There is rather high probability that stability will continue for the rest of the second quarter, however the foreign currency market is still illiquid and susceptible to large swings.

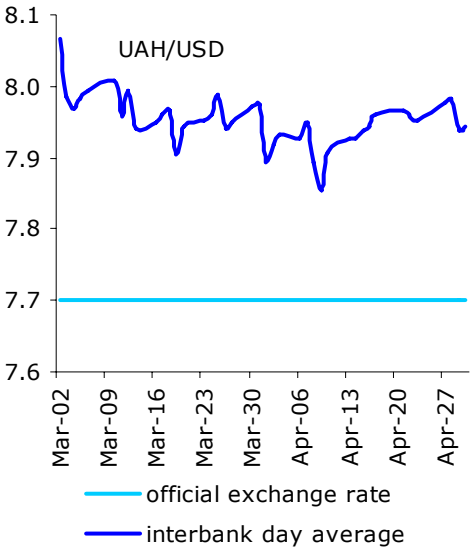
Banking sector. According to the NBU, deposit withdrawals continued to slow in March. Deposits decreased only by 2.0% mom, as banks lost more foreign currency deposits than national currency deposits (3.2% mom and 1.0% mom respectively). While withdrawals of long-term deposits continued, in March demand deposits in national currency increased for the first time since the beginning of the crisis that may reflect some improvement in economic activity and confidence in the banking sector.

In March, total amount of loans in system decreased by 0.1% mom to UAH 716.7 bn, mainly due to continued contraction of loans to households. New loans for non-financial corporations were higher than repayments thanks to increase of hryvnia denominated credits by 2.9% mom.

According to the NBU, banking sector lost UAH 6.8 bn before taxes in the first quarter due to increase in loan loss provisions by UAH 16.9 bn (of which UAH 4.5 bn is attributable to the Ukrprombank). As of April 1, 2009 thirteen banks under temporary administration had UAH 71.5 bn in assets (7.7% of the total banking system assets). Recapitalization of the largest banks is still under way as negotiations continue.

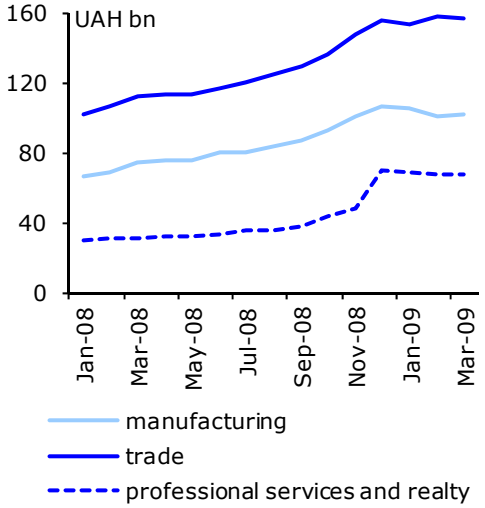
State debt. In April, the Ministry of Finance sold one- , two- and three-year domestic state bonds at UAH 3.6 bn with weighted-average yield at 14.6% p.a. The yield was raised during the month with the last placements (24% of the total amount) made at 18-20% p.a. The share of short-term domestic state bonds maturing in the end of 2009 and mid-2010 constituted 65.3% of the total placement.

Exchange rate



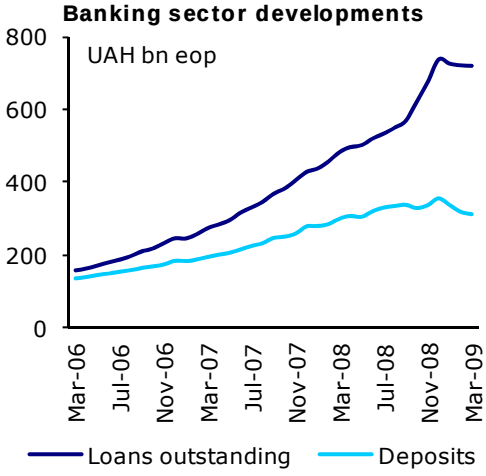
Source: NBU

Loans outstanding



Source: NBU

Banking sector developments



Source: NBU

Highlight of the month: Unemployment

Economic crisis: labour market situation

By Oleksandra Betliy

Decline in demand, devaluation of national currency, problems in banking sector and other manifestations of the economic crisis that started in fourth quarter of 2008 have forced Ukrainian enterprises to cut and optimize spending, in particular, labour costs. As sales fell companies faced the need to reduce labour force, thus, shifting the burden of the crisis adjustment to households.

In March 2009, average number of salaried employees that work in large and medium enterprises covered by the labour statistics declined by 5.2% or 588 000 persons as compared to September 2008. This reduction is partially explained by seasonal factors, in particular, departure of agricultural workers in winter. However, sharp drop in number of employees in other sectors is a new trend related to the crisis. The most of dismissals were in sectors with the highest contraction in real outputs in the first quarter of 2009. These are construction, manufacturing of other non-metallic mineral products, rubber and plastics products, and textile.

To limit further increase in unemployment the Government introduced assistance for partial unemployment and envisaged the compensation to employers for wages of employees transferred to other lines of work. Besides, it allowed financing for training and retraining of redundant employees from of the State Unemployment Insurance Fund. So far it is difficult to evaluate the efficiency of these measures.

At the same time, according to the Derzhkomstat in March 1.2 m salaried employees (11.0% of average number of employees) worked reduced hours, while 519 000 persons (5.0%) were on the unpaid administrative leaves. Companies try to retain qualified personnel until the demand for their products or services recovers. Employees often agree to such measures in the hope to obtain full employment after some time. Thus, both employers and employees seem to expect rather quick revival of the economic activity of companies. However if these expectations turn out too optimistic, firms will continue reducing number of employees.

Dismissed employees have a right to register as unemployed and receive unemployment benefits. By the end of March there were 879 000 registered unemployed or 3.1% of working-age population. Number of unemployed persons increased by 365 400 from September 2008 while decrease in the number of salaried employees was 61% higher. It demonstrates low attractiveness of unemployment registration, which might be explained by several reasons.

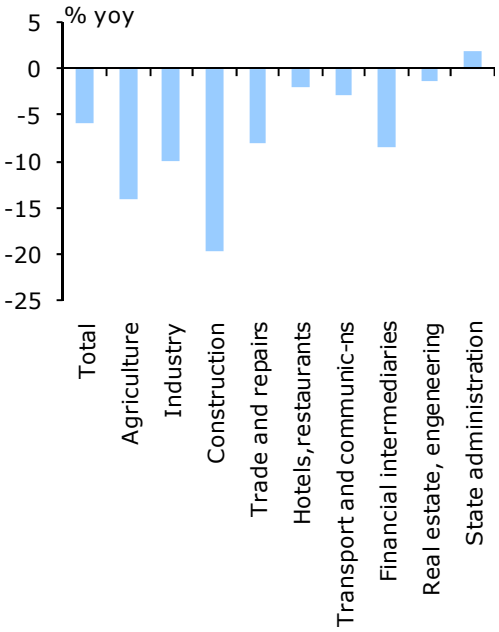
First, unemployment benefits remain low, while most of vacancies, which are proposed to unemployed individuals by the State Employment Office relate to blue-collar positions. As of end of March average unemployment benefits were at UAH 604.2, while minimum unemployment benefits are set at UAH 500 for 2009.

Besides, dismissed employees have a right to register as unemployed only in the place of their registration. Therefore, individuals that used to work in other places, primarily in big cities, are not likely to refer to the Employment Office, but will try to look for a job independently.

At the same time, in December 2008 the state introduced variety of measures related to labour market, which complicated registration of people as employees and envisaged harder rules concerning job seeking, participation in public works, retraining, etc.[1]

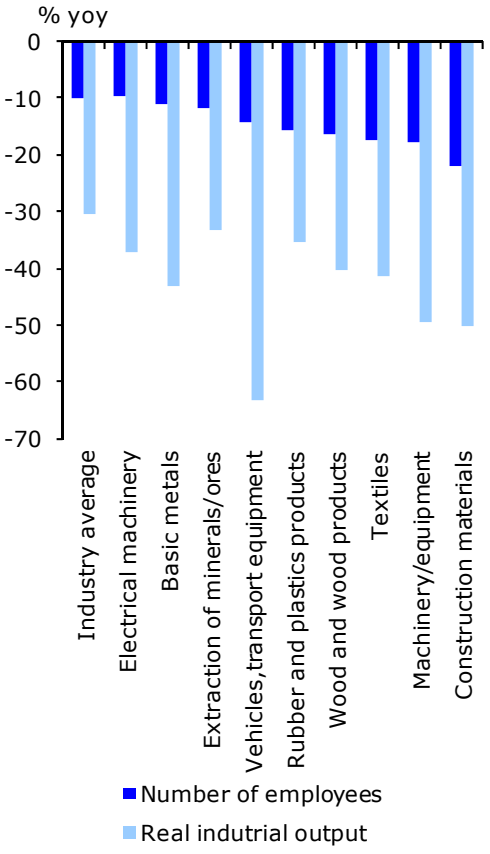
In particular, during several months it was difficult for rural inhabitants and voluntary dismissed employees to register as

Number of employees in March 2009



Source: Derzhkomstat

Number of employees and industrial output, March 2009



Source: Derzhcomstat

[1] Law of Ukraine "On the amendments to laws of Ukraine concerning reduction of impact of global financial crisis on the employment of population", #799-VI from December 25, 2008

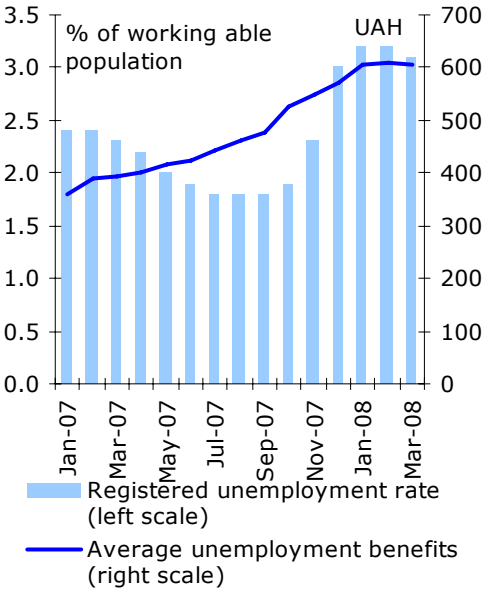
unemployed. However, these legislative positions became ineffective in March and May, respectively.

The definition of 'suitable works' that may be offered to unemployed by the State Employment Office was also changed. Besides, the number of reasons for stopping the payment of unemployment benefits was increased. In particular, since January the person is deprived of unemployment benefit in case of two refusals to occupy proposed vacancies or to participate in retraining.[2] Also, public works are considered to be suitable positions for individuals that do not have an occupation or previously worked in places that did not require special training, are registered for more than 9 months or have an interruption in labour activity for more than 12 months.

Therefore, in Ukraine government policies restricted eligibility and term of unemployment benefits in face of budgetary restrictions. As a result, such measures *ceteris paribus* create disincentives for unemployed individuals from registering as such, but stimulate them to look for a job independently.

Though between March and April registered unemployment rate declined, the actual unemployment in the country grows. Several companies in financial sector, construction and industry have already announced further dismissals. On average the unemployment rate (ILO methodology) in 2009 might reach 9.5% of population aged between 15 and 70 years old. In order to succeed in the unemployment reduction the Government should not only implement labour market policies, but introduce steps towards stabilisation of financial sector and improvement of business environment.

Unemployment rate and benefits



Source: Derzhkomstat

[2] Before introduction of these changes unemployed persons had a right to waive all proposed vacancies and were not obliged to retrain during the entire period (up to one year) of receiving unemployment benefits.

Economic Trends		Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Nov	Dec	Jan	Feb	Mar	Apr.
Industrial production (real)	% yoy cum.	10.2	7.9	7.7	5.1	-3.1	-31.9	-0.7	-3.1	-34.1	-31.6	-31.9	...
Construction (real)	% yoy cum.	15.6	1.7	-1.2	-7.2	-16	-56.7	-13.0	-16.0	-57.6	-57.3	-56.7	...
Agricultural production (real)	% yoy cum.	-5.6	0.2	-0.3	15.1	17.5	1.7	18.0	17.5	0.5	1.1	1.7	...
Retail trade turnover (real)	% yoy cum.	28.8	27.2	28.8	25.1	18.6	-11.5	20.9	18.6	-7.1	-9.4	-11.5	...
Average wage	UAH	1545	1619	1797	1906	1914	1736	1823	2001	1665	1723	1818	...
CPI	% yoy eop	16.6	26.2	29.3	24.6	22.3	18.1	22.3	22.3	22.3	20.9	18.1	15.6
PPI	% yoy eop	23.3	31.8	43.7	42.7	23.0	12.8	27.4	23.0	20.4	19.0	12.8	6.3
Exports (USD)***	% yoy cum.	27.4	31.1	40.8	46.3	33.8	-35.1[e]	41.7"	35.9"	-33.4"	-38.6"	...	...
Imports (USD)***	% yoy cum.	34.8	46.0	54.0	56.4	38.8	-43.6[e]	49.4"	41.1"	-56.0"	-47.5"	...	...
Merchandise trade balance	USD bn cum.	-10.6	-4.7	-9.1	-13.2	-16.9	...	-17.7"	-18.5"	-0.4"	-0.7"	...	...
Current account****	USD bn cum.	-5.3	-3.7	-6.8	-9.2	-12.9	...	-11.7	-12.9	0.6	-0.4	-0.9	...
Current account	% GDP, cum.	-4.2	-9.6	-8.2	-5.8	-7.1	...	x	x	x	x	x	x
Gross international reserves	USD bn eop	32.5	33.2	35.5	37.5	31.5	25.4	32.7	31.5	28.8	26.5	25.4	24.5
Monetary Base	% yoy eop	46.0	41.5	38.9	33.8	31.5	28.1	32.6	31.6	32.1	29.1	28.1	24.3
Lending rate on UAH credits **	% pa, aop	14.0	15.2	17.4	17.8	21.0	26.5	21.9	21.6	25.6	27.2	26.7	20.4
Exchange rate (interbank)	USD aop	5.04	5.03	4.79	4.70	6.49	8.1	6.11	7.76	8.08	8.23	7.97	7.93
Exchange rate (official)	USD aop	5.05	5.05	4.96	4.85	6.21	7.70	6.00	7.58	7.70	7.70	7.70	7.70
Exchange rate (official)	EUR aop	7.31	7.56	7.75	7.31	8.22	10.06	7.65	10.24	10.29	9.86	10.05	10.18

Sources: Derzhkomstat, Ministry of Finance, NBU, IFS, Reuters, own calculations

" Monthly figures are only for merchandise exports and imports (source: Derzhkomstat)
Quarterly figures are for trade in goods and services (source: NBU)

* Monthly figures do not include the regular quarterly revision of the GDP series

**Weighted average for different maturities (source: NBU)

*** Growth rate in dollar terms

**** Monthly data are according to the preliminary estimates provided by the NBU

[e] preliminary estimate provided by the NBU

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	949.9
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	180.2
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	12.8	25.2
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	22.3
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23.0
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.2	27.5	33.8
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	35.5	38.6
Current account	USD bn	1.2	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.9
Current account	% GDP	3.8	3.7	7.6	5.9	10.6	2.9	-1.5	-3.7	-7.2
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	6.5	5.3	9.2	9.7
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.5
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	14.8	12.5	19.9
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	9.8	15.0
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	5.27
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.70
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.61	6.39	6.34	6.92	7.71
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86

Sources: Derzhkomstat, NBU, Ministry of Finance, own calculations

''' "Minus" denotes a consolidated fiscal deficit

Notes:

avg	average	**ytd**	year-to-date
cum	cumulative	**p.a.**	per annum
mom	month on month change	**eop**	end of the period
qoq	quarter on quarter change	**aop**	average of the period
yoy	year-on-year change	**gs**	goods and services

Quarterly trends

National accounts		Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08
GDP	UAH bn	105.4	124.1	150.4	157.7	137.6	165.1	197.4	212.8	187.7	233.7	275.8	252.7
GDP (real)	% yoy	4.1	6.8	6.9	9.5	8.9	8.6	6.2	7.4	6.3	6.2	6.4	-8.0
Household consumption (real)	% yoy	20.2	18.2	11.8	9.9	14.7	15.5	15.2	19.0	22.5	13.3	16.7	1.6
State consumption (real)	% yoy	9.6	5.8	5.8	1.0	0.8	6.2	4.4	2.4	-0.2	1.3	-0.2	0.2
Gross fixed capital formation (real)	% yoy	19.9	19.3	17.9	18.3	24.4	23.5	18.9	23.8	19.4	12.0	0.1	-17.4
Exports of goods and services (real)	% yoy	-14.9	-9.6	3.2	1.0	4.9	5.2	0.1	5.6	4.4	7.2	18.9	-10.4
Imports of goods and services (real)	% yoy	10.7	0.9	8.3	6.4	12.9	19.6	13.7	27.2	23.8	24.4	31.8	-4.2
Agriculture, hunting, forestry (real)*	% yoy	3.8	2.8	-5.6	8.1	4.8	6.8	-9.3	7.1	0.5	-0.5	21.9	20.7
Manufacturing industry (real)*	% yoy	-1.5	6.1	7.3	7.2	15.0	13.2	13.1	4.4	9.0	9.4	1.8	-22.6
Construction (real)*	% yoy	0.1	0.8	1.4	4.2	13.3	8.2	12.7	5.8	-1.5	-6.3	-17.0	-32.7
Trade, repair services (real)*	% yoy	6.2	16.4	20.0	21.9	14.3	17.5	25.3	15.0	15.7	10.9	2.2	-13.9
Transport (real)*	% yoy	4.9	7.7	9.4	5.3	7.0	5.6	8.0	10.2	10.2	14.1	10.8	-4.3
Balance of payments													
Current account balance	USD bn	-0.8	0.0	0.5	-1.4	-1.1	-0.6	-0.3	-3.257	-3.7	-3.4	-2.1	-3.7
Current account balance	% of GDP	-3.7	0.0	1.7	-4.3	-4.0	-1.9	-0.8	-7.7	-10.0	-7.2	-3.7	-9.2
Trade balance in goods	USD m	-1353	-935	-884	-2022	-1735	-1701	-2684	-4452	-4670	-4401	-4121	-3742
Trade balance in services	USD m	219	506	1054	347	50	448	1614	308	219	492	1544	159
Current transfers	USD m	622	790	851	910	732	844	947	1016	740	833	831	723
Direct investment (FDI)	USD m	1153	1489	1736	1359	1709	1934	3927	1648	2430	3091	3324	838
Portfolio investments	USD m	4	-141	370	3350	1816	1477	616	1844	217	160	-690	-967.0
Gross international reserves	USD bn	17.3	17.7	19.2	22.4	23.0	25.9	30.7	32.5	33.2	35.5	37.5	31.5
Exchange rate(market), UAH/USD	aop	5.06	5.02	5.02	5.03	5.04	5.02	5.01	5.04	5.03	4.79	4.70	6.49
Exchange rate(official), UAH/USD	aop	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	4.96	4.85	6.21
Fiscal indicators													
Consolidated fiscal revenues	% of GDP	31.2	31.7	31.9	32.8	33.3	32.8	30.8	31.1	32.9	32.0	29.5	31.6
Personal income tax	% of GDP	4.4	4.6	4.1	4.1	5.1	5.3	4.9	4.8	5.2	5.1	4.3	4.9
Enterprise profits tax	% of GDP	3.4	4.6	4.3	6.7	3.8	4.1	4.1	6.4	4.2	4.5	5.0	6.3
Value-added tax	% of GDP	9.2	9.2	9.7	9.3	10.4	9.8	8.7	7.6	10.6	10.9	9.8	7.8
Excise tax	% of GDP	1.8	1.7	1.5	1.5	1.8	1.7	1.6	1.3	1.5	1.3	1.2	1.4
Consolidated fiscal expenditures	% of GDP	30.9	32.8	29.4	36.6	28.4	31.0	29.6	36.7	29.8	31.6	27.2	41.2
Current expenditures	% of GDP	28.9	29.7	24.9	29.2	26.9	28.4	25.9	27.3	28.9	28.5	22.4	33.8
Capital expenditures	% of GDP	1.9	3.2	4.5	7.4	1.6	2.6	3.7	9.4	1.0	3.1	4.8	7.4
Consolidated fiscal balance	% of GDP	-0.4	1.1	-2.4	4.0	4.7	1.7	1.2	-6.2	3.0	0.4	1.9	-10.3
Privatisation receipts	% of GDP	0.1	0.1	0.1	0.1	0.5	0.5	0.3	0.4	0.1	0.0	0.0	0.0
Labour market													
Average wage (real)	% yoy	23.8	22.6	18.8	11.3	14.7	13.9	14.9	15.7	13.8	7.1	7.1	1.1
Household income (real)	% yoy	22.1	18.6	20.3	16.3	17.5	17.4	14.9	16.4	19.0	10.1	6.6	2.7
Unemployment rate (ILO methodology)	% cum	7.9	6.8	6.4	6.8	7.4	6.6	6.2	6.4	7.1	6.2	6.0	7.5
Banking system													
Monetary aggregate M0	% yoy cum	36.2	25.3	23.7	24.5	26.2	30.6	41.1	48.2	48.4	48.6	37.9	39.3
Monetary aggregate M2	% yoy cum	39.2	36.6	36.7	34.3	38.6	40.7	47.8	50.8	52.7	48.8	37.4	31.0
Household deposits in national currency	% yoy cum	54.6	41.1	39.7	37.3	50.7	56.3	64.8	71.9	68.8	68.2	53.3	8.3
Household deposits in foreign currency	% yoy cum	54.5	66.2	64.3	57.5	52.3	43.8	38.4	32.5	35.2	32.9	31.2	66.1
Com. bank credits in national currency	% yoy cum	59.8	53.7	49.0	52.3	52.4	57.2	60.7	72.7	81.2	70.7	53.4	37.0
Com. bank credits in foreign currency	% yoy cum	72.0	82.1	90.4	95.4	98.9	97.4	91.0	75.4	71.3	57.9	61.0	94.2
Long-term com. bank credits	% yoy cum	87.6	86.7	76.6	79.5	84.1	86.5	87.9	85.7	84.8	67.2	50.9	73.3
Long-term com. bank credits	% of total	63.1	63.4	63.5	64.9	65.8	67.3	68.2	69.2	69.1	68.6	66.8	69.8
Average lending rate on national currency credits	% p.a.	15.8	15.5	14.6	15.1	14.0	13.9	13.7	14.0	14.6	17.3	17.1	21.1
Average lending rate on foreign currency credits	% p.a.	11.5	11.3	11.3	11.5	11.5	11.4	11.3	11.1	10.8	11.4	12.1	12.3

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added

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